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18 UNITED STATES DISTRICT COURT
19 CENTRAL DISTRICT OF CALIFORNIA

20 FEDERAL TRADE COMMISSION,

21 Plaintiff,

22 vs.

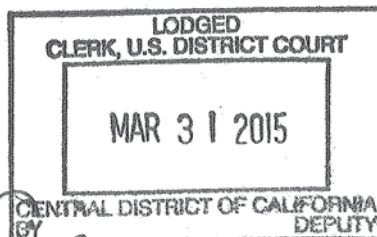
23 WEALTH EDUCATORS, INC., also
24 d/b/a Family 1st Preservations; Family
25 1st Home Loans; Legal Affiliates &
26 Associates; Legal Educators & Co.;
27 Family 1st Home Preservation; Legal
28 Educators USA & Co.; Stargate Mutual
& Associates; Providence Financial
Advocates; and Providence Financial
Audits; and VERONICA SESMA, also
d/b/a Sesma Consulting,

Defendants.

CV15-2357 SJO JEMX

COMPLAINT FOR PERMANENT
INJUNCTION AND OTHER EQUITABLE
RELIEF

FILED UNDER SEAL



COMPLAINT

1

Federal Trade Commission
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20 FEDERAL TRADE COMMISSION,

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22 vs.

23 WEALTH EDUCATORS, INC., also
24 d/b/a Family 1st Preservations; Family
25 1st Home Loans; Legal Affiliates &
26 Associates; Legal Educators & Co.;
27 Family 1st Home Preservation; Legal
28 Educators USA & Co.; Stargate Mutual
& Associates; Providence Financial
Advocates; and Providence Financial
Audits; and VERONICA SESMA, also
d/b/a Sesma Consulting,

Defendants.

COMPLAINT

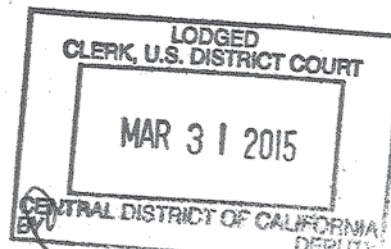
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No. **CV15-2357** STO JEMX

COMPLAINT FOR PERMANENT
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Federal Trade Commission
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Seattle, Washington 98174
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1 Plaintiff, the Federal Trade Commission (FTC or Commission), for its
2 Complaint alleges:

3 1. The FTC brings this action under Sections 13(b) and 19 of the Federal Trade
4 Commission Act ("FTC Act"), 15 U.S.C. §§ 53(b) and 57b, and the 2009 Omnibus
5 Appropriations Act, Pub. L. No. 111-8, § 626, 123 Stat. 524, 678 (Mar. 11, 2009)
6 ("Omnibus Act"), as clarified by the Credit Card Accountability Responsibility and
7 Disclosure Act of 2009, Pub. L. No. 111-24, § 511, 123 Stat. 1734, 1763-64 (May
8 22, 2009) ("Credit Card Act"), and amended by the Dodd-Frank Wall Street
9 Reform and Consumer Financial Protection Act of 2010, Pub. L. No. 111-203, §
10 1097, 124 Stat. 1376, 2102-03 (July 21, 2010) ("Dodd-Frank Act"), 12 U.S.C. §
11 5538, to obtain temporary, preliminary, and permanent injunctive relief, rescission
12 or reformation of contracts, restitution, the refund of monies paid, disgorgement of
13 ill-gotten monies, and other equitable relief for Defendants' acts or practices in
14 violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), and the Mortgage
15 Assistance Relief Services Rule ("MARS Rule"), 16 C.F.R. Part 322, recodified as
16 Mortgage Assistance Relief Services ("Regulation O"), 12 C.F.R. Part 1015, in
17 connection with the marketing and sale of mortgage assistance relief services.

18 JURISDICTION AND VENUE

19 2. This Court has subject matter jurisdiction over this matter pursuant to 28
20 U.S.C. §§ 1331, 1337(a), and 1345; 15 U.S.C. §§ 45(a), 53(b), and 57b; and
21 Section 626 of the Omnibus Act, as clarified by Section 511 of the Credit Card
22 Act, and amended by Section 1097 of the Dodd-Frank Act, 12 U.S.C. § 5538.3.

23 Venue in the Central District of California is proper under 28 U.S.C. §§
24 1391(b) and (c), and 15 U.S.C. § 53(b).

25 PLAINTIFF

26 4. The FTC is an independent agency of the United States Government created
27 by statute. 15 U.S.C. §§ 41-58. The FTC enforces Section 5(a) of the FTC Act, 15
28 U.S.C. § 45(a), which prohibits unfair or deceptive acts or practices in or affecting

1 commerce. In addition, pursuant to 12 U.S.C. § 5538, the FTC also enforces the
 2 MARS Rule, which requires mortgage assistance relief services (“MARS”)
 3 providers to make certain disclosures, prohibits certain representations, and
 4 generally prohibits the collection of an advance fee.

5 5. The FTC is authorized to initiate federal district court proceedings, by its
 6 own attorneys, to enjoin violations of the FTC Act, the MARS Rule, and
 7 Regulation O, and to secure such equitable relief as may be appropriate in each
 8 case, including rescission or reformation of contracts, restitution, the refund of
 9 monies paid, and the disgorgement of ill-gotten monies. 15 U.S.C. §§ 53(b),
 10 56(a)(2)(A)-(B), and 57b; § 626, 123 Stat. at 678, as clarified by § 511, 123 Stat. at
 11 1763-64, and amended by § 1097, 124 Stat. at 2102-03, 12 U.S.C. § 5538.

12 DEFENDANTS

13 6. Defendant Wealth Educators, Inc., (“Wealth Educators”), is a California
 14 corporation. Its business offices are located at 3200 Wilshire Blvd., Suite 808, Los
 15 Angeles, California 90036. Wealth Educators has also done business as Family 1st
 16 Preservations, Family 1st Home Loans, Legal Affiliates and Associates, Legal
 17 Educators & Co., Family 1st Home Preservation, Legal Educators USA & Co.,
 18 Stargate Mutual & Associates, Providence Financial Advocates, and Providence
 19 Financial Audits. Wealth Educators d/b/a Legal Educators & Co., is the subscriber
 20 for the telephone service used by Veronica Sesma, Legal Educators USA & Co.,
 21 Stargate Mutual & Associates, Providence Financial Advocates, and Providence
 22 Financial Audits to market and sell mortgage assistance relief services to
 23 consumers. Wealth Educators has established bank accounts for Family 1st
 24 Preservations, Family 1st Home Loans, Legal Educators & Co., Stargate Mutual &
 25 Associates and Providence Financial Advocates into which consumer payments
 26 have been deposited. At all times material to this Complaint, acting alone or in
 27 concert with others, Wealth Educators has advertised, marketed, provided, offered
 28 to provide, or arranged for others to provide MARS as defined in 16 C.F.R. §

1 322.2, recodified as Regulation O, 12 C.F.R. § 1015.2. Wealth Educators transacts
2 or has transacted business in this district and throughout the United States.

3 7. Defendant Veronica Sesma ("Sesma") is the sole owner and officer of
4 Wealth Educators. Sesma has also done business as Sesma Consulting. Sesma is
5 the domain registrant for the following websites used by Defendants to market and
6 sell mortgage assistance relief services to consumers: legalaffiliatescorp.org;
7 family1sthps.com; legaleducatorsco.org; legaleducatorsusa.org;
8 thelegaleducators.com; smassociates.org; pfadvocates.com; and pfaudits.com. She
9 is the sole signer on each of the Defendants' bank accounts, into which consumer
10 funds are deposited. At all times material to this Complaint, acting alone or in
11 concert with others, she has formulated, directed, controlled, had the authority to
12 control, or participated in the practices of Wealth Educators. Defendant Sesma
13 resides in and transacts or has transacted business in this District and throughout
14 the United States.

15 COMMERCE

16 8. At all times material to this Complaint, Defendants have maintained a
17 substantial course of trade in or affecting commerce, as "commerce" is defined in
18 Section 4 of the FTC Act, 15 U.S.C. § 44.

19 DEFENDANTS' BUSINESS PRACTICES

20 9. From at least October 2012 to the present, Defendants have engaged in a
21 course of conduct to advertise, market, sell, provide, offer to provide, or arrange
22 for others to provide MARS, including mortgage loan modification services.

23 10. Defendants have marketed their services primarily via outbound
24 telemarketing calls to consumers. Defendants also have marketed their services on
25 the Internet, including through use of the following websites: family1sthps.com;
26 legaleducatorsco.org; legaleducatorsusa.org; thelegaleducators.com;
27 smassociates.org; pfadvocates.com; and pfaudits.com.

1 11. Many of the Defendants' customers are financially distressed homeowners.
 2 Defendants promise consumers that they will lower the consumer's monthly
 3 mortgage payment, mortgage interest rate, or obtain loan forbearance, a loan
 4 modification, or other loan restructuring.

5 12. Defendants purport to be a legal firm and to provide the consumer with legal
 6 assistance through a network of affiliated legal service providers, including
 7 forensic loan audits and other services that will identify errors in their mortgage
 8 loan documents, ferret out predatory lending practices, gather information that
 9 Defendants will use to defend against foreclosure, and win concessions from
 10 lenders.

11 13. Defendants charge an initial up-front fee ranging from \$1000 to \$5000, prior
 12 to completing any of the promised MARS. Defendants accept payment by
 13 personal check, cashier's check, money order, electronic fund transfer,
 14 MoneyGram, and Western Union. Defendants represent that if they are unable to
 15 secure the promised MARS they will fully refund all fees paid by the consumers.

16 14. In numerous instances, Defendants have failed to obtain any relief for their
 17 customers, and have not provided the promised refund.

18 The Sales Pitch

19 15. Defendants initiate contact with consumers through unsolicited outbound
 20 telemarketing calls and inbound telephone calls from consumers responding to
 21 claims on Defendants' websites.

22 16. Defendants' websites have included the following claims:

23 AMERICA'S LEADING HOME PRESERVATION LEGAL
 24 SERVICES. We act on behalf of homeowners to work with your
 25 lender and avoid the lengthy and costly process of foreclosure and the
 26 stressful act of eviction that follows. . . . Everyday, we're helping
 27 distressed homeowners, and we can help you, get a "fresh start" by:
 28 Presenting a solution to your lender and negotiating favorable terms

1 for all concerned, Protecting your credit and your home from further
2 degradation, Minimizing your debt obligations, and expediting the
3 process to a successful resolution. . . . Our staff consists of
4 professionals experienced in underwriting, servicing, and loan
5 originations. We have a national network of 100+ legal aids working
6 with local programs and organizations...to validate compliance with
7 federal, state, and local regulations, and include an evaluations (sic) of
8 the guidelines of Fannie Mae, Freddie Mac, Ginnie Mae, FHA, VA,
9 and various private investors.

10 17. In numerous instances, Defendants have told consumers that they can secure
11 for them a loan modification through a government-sponsored program, or
12 otherwise obtain a loan modification that will lower their monthly mortgage
13 payment and reduce their mortgage interest rate for an initial up-front fee of \$1000
14 to \$5000, and that in most cases the process will be completed within three to four
15 months.

16 18. In numerous instances, Defendants have quoted a specific dollar amount that
17 the mortgage payment will be reduced each month, or promised a mortgage
18 interest rate substantially lower than the rate the consumer is currently paying.
19 Defendants also say that they are successful in obtaining a restructure or
20 modification of the consumer's mortgage in the majority of cases. In numerous
21 instances, Defendants have stated a specific percentage, such as 98%, success rate
22 in obtaining a loan modification. In some instances, Defendants represent to
23 consumers that they have a working relationship with the consumer's lender.

24 19. In numerous instances, Defendants tell consumers, many of whom have
25 made timely mortgage payments, that in order to obtain the promised MARS,
26 consumers should stop making mortgage payments to their lenders. Defendants
27 have also told consumers not to communicate with their lenders during the loan
28 restructure process.

20. In numerous instances, Defendants tell consumers that if they are unable to obtain the promised loan modification, Defendants will fully refund the fee the consumer paid.

Payment Structure and Enrollment

21. Defendants send consumers who agree to pay for their services a packet of written materials via email and in some instances regular mail. Consumers are told they must complete the forms in the packet and return the completed forms with the requested financial documents and the agreed upon fee. The materials include: (1) a cover letter from an apparently fictitious CEO, Perry Simmons, explaining that Defendants will be providing a loan audit, urging the consumer to return the requested materials so that they can determine if the consumer qualifies for Defendants' loan restructuring services, and advising the consumer that a legal assistant is available to speak with them about their file; and (2) "Clients Rights and Responsibilities," advising the consumer to forward all correspondence from the lender to Defendants and stating that the process in most instances is completed within 135 days after it is assigned to a negotiator; and (3) the "Client Retention Agreement," which states:

This is a written agreement ("Agreement") that California law requires attorneys to have with their clients. The offices of [name of company], a Professional Corporation, (hereinafter referred to as "Attorney" and/or "Firm"), will provide services to [name of consumer] set forth below:

The Firm's responsibility shall be to vigorously protect your property, to resolve the dispute you have with your financial lender, and to conduct a loan compliance audit for you as you have directed or will direct against various financial institutions for violating their legal obligations toward you that you represent is evidenced by documents in your files justifying legal action.

1 Scope of Representation – Such representation to resolve your case
2 shall be limited to the following:

- 3 I. Review your loan docs to ensure they comply with all Federal
4 Laws and Regulations.
5 II. Force the lender to adjust the current terms, eliminate or reduce
6 any delinquent or missed payments.
7 III. Reduction of current loan balance, reduced rate.
8 IV. Loan to be converted to a longer term. Fixed Rate.
9 V. Reduction of any current or future interest rate changes.
10 VI. Negotiate short sale when necessary.
11 VII. Negotiate Deed in Lieu when necessary.

12 22. The materials sent to consumers also include: (1) a “Cease and Desist
13 Letter” advising the lender not to communicate with the consumers pursuant to the
14 Fair Debt Collection Practices Act; (2) a “Qualified Written Request” under
15 Section 6 of the Real Estate Settlement Procedures Act; (3) an Authorization Form
16 permitting Defendants to communicate on the consumer’s behalf with the lender;
17 (4) a document checklist for the consumer’s financial records; (5) a Making Home
18 Affordable Request application; and (6) a Financial Hardship Package. The
19 consumer must complete and sign all forms and return the requested financial
20 records and hardship letter along with their payment to the Defendants.

21 23. Defendants require and accept payment of between \$1000 and \$5000 prior
22 to the consumer executing a written agreement with the lender or servicer that
23 incorporates an offer for MARS. Often, Defendants permit consumers to split the
24 advance payment by sending two checks, one post-dated for the following month.
25 In some instances, Defendants tell consumers that the fee covers the cost of
26 negotiations with the lender and processing paperwork or closing the new loan,
27 they tell others that the fee covers legal representation by the Defendants.
28

24. The materials sent to consumers also guarantee a “100% refund of service fee” if the consumer does not receive one of the following: “Loan Modification, Forbearance, Reinstatement, Repayment Plan, Loan Restructure, Short Sale Agreement Packaging and Monitoring, Deed in Lieu of Foreclosure, Negotiating the Principal Balance/Delinquent Debt, Prolong the Foreclosure Process, Negotiate lease back from the bank, Negotiate a “Cash For Keys,” Postponement of at least ONE Trustee sale,” resulting from Defendants’ services.

Post-Enrollment

25. In numerous instances, Defendants remain in contact with the consumer until the second payment check has cleared the bank. Thereafter, in numerous instances, when consumers attempt to contact Defendants for status updates, Defendants often fail to answer or return consumers’ telephone calls or emails. When consumers are able to reach Defendants, Defendants’ typically string the consumer along requiring them to resend documents or telling them that their files are being handled and everything is going smoothly.

26. Defendants prevent consumers from contacting them or seeking refunds by changing the name under which they operate approximately every six months. When they change their business name they also change their website, and in some instances phone numbers and mailing addresses. Defendants have changed their business name at least four times in the past two years without notifying consumers. Defendants have marketed and sold MARS under the names Family 1st Home Preservations, Legal Educators USA & Co., Stargate Mutual & Associates; Providence Financial Advocates; and currently are using the name Providence Financial Audits.

27. After consumers have agreed to work with Defendants and paid the requested advance fees, in numerous instances Defendants have failed to obtain a loan modification, principal reduction, or other promised MARS. In many instances, when consumers have contacted their lender, they have discovered that

1 Defendants never contacted the lender, or taken any steps to initiate modification
2 proceedings.

3 28. Consumers are unable to obtain refunds when Defendants fail to provide the
4 promised MARS. Consumers who have paid Defendants' fees have suffered
5 significant economic injury, including, paying thousands of dollars to Defendants
6 and receiving little or no service in return; falling behind or further behind on
7 mortgage payments; incurring penalties; and even going into foreclosure.

8 **VIOLATIONS OF SECTION 5 OF THE FTC ACT**

9 29. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits "unfair or
10 deceptive acts and practices in or affecting commerce."

11 30. Misrepresentations or deceptive omissions of material fact constitute
12 deceptive acts or practices prohibited by Section 5(a) of the FTC Act.

13 **COUNT I**

14 **(Deceptive Representations Regarding Loan Modification Services)**

15 31. In numerous instances, in connection with the advertising, marketing,
16 promoting, offering for sale, or sale of mortgage assistance relief services,
17 Defendants have represented, directly or indirectly, expressly or by implication:

18 a. that Defendants typically will obtain mortgage loan modifications for
19 consumers that will make their payments substantially more affordable, will
20 substantially lower their interest rates, or will help them avoid foreclosure; and

21 b. that Defendants will provide legal services, including forensic audits.

22 32. In truth and in fact:

23 a. Defendants typically do not obtain mortgage loan modifications for
24 consumers that will make their payments substantially more affordable, will
25 substantially lower their interest rates, or help them avoid foreclosure; and

26 b. Defendants do not provide legal services, including forensic audits.

1 33. Therefore, Defendants' representations as set forth in Paragraph 31 are false
 2 and misleading and constitute deceptive acts or practices in violation of Section
 3 5(a) of the FTC Act, 15 U.S.C. § 45(a).

4 COUNT II

5 **(Deceptive Representations Regarding Refunds)**

6 34. In numerous instances, in connection with the advertising, marketing,
 7 promoting, offering for sale, or sale of mortgage assistance relief services,
 8 Defendants have represented, directly or indirectly, expressly or by implication,
 9 that they will refund the consumer's fee if Defendants fail to obtain the promised
 10 mortgage loan modification.

11 35. In truth and in fact, in numerous instances, Defendants do not refund the
 12 consumer's fee when Defendants fail to obtain the promised mortgage loan
 13 modification.

14 36. Therefore, Defendants' representation as set forth in Paragraph 34 is false
 15 and misleading and constitutes a deceptive act or practice in violation of Section
 16 5(a) of the FTC Act, 15 U.S.C. § 45(a).

17 VIOLATIONS OF THE MARS RULE AND REGULATION O

18 37. In 2009, Congress directed the FTC to prescribe rules prohibiting unfair or
 19 deceptive acts or practices with respect to mortgage loans. Omnibus Act § 626,
 20 123 Stat. at 678, as clarified by Credit Card Act, § 511, 123 Stat. at 1763-64.

21 Pursuant to that direction, the FTC promulgated the MARS Rule, 16 C.F.R. Part
 22 322, all but one provision of which became effective on December 29, 2010. The
 23 remaining provision, Section 322.5, became effective on January 31, 2011.

24 Section 1097 of the Dodd-Frank Act, 12 U.S.C. § 5538, transferred rulemaking
 25 authority over the MARS Rule to the Consumer Financial Protection Bureau,
 26 which recodified the Rule as 12 C.F.R. Part 1015, effective December 30, 2011,
 27 and designated it "Regulation O." The FTC retains authority to enforce the MARS
 28 Rule pursuant to Section 1097 of the Dodd-Frank Act, 12 U.S.C. § 5538.

1 38. The MARS Rule and Regulation O define “mortgage assistance relief
2 provider” as “any person that provides, offers to provide, or arranges for others to
3 provide, any mortgage assistance relief service” other than the dwelling loan
4 holder, the servicer of a dwelling loan, or any agent or contractor of such
5 individual or entity. 16 C.F.R. § 322.2(j), recodified as Regulation O, 12 C.F.R. §
6 1015.2(j).

7 39. The MARS Rule and Regulation O prohibit any mortgage assistance relief
8 service provider from requesting or receiving payment of any fee or other
9 consideration until the consumer has executed a written agreement between the
10 consumer and the consumer’s dwelling loan holder or servicer incorporating the
11 offer of mortgage assistance relief the provider obtained from the consumer’s
12 dwelling loan holder or servicer. 16 C.F.R. § 322.5(a), recodified as Regulation O,
13 12 C.F.R. § 1015.5(a).

14 40. The MARS Rule and Regulation O prohibit any mortgage assistance relief
15 service provider from representing, expressly or by implication, in connection with
16 the advertising, marketing, promotion, offering for sale, sale, or performance of
17 any mortgage assistance relief service, that a consumer cannot or should not
18 contact or communicate with his or her lender or servicer. 16 C.F.R. § 322.3(a),
19 recodified as Regulation O, 12 C.F.R. § 1015.3(a).

20 41. The MARS Rule and Regulation O prohibit any mortgage assistance relief
21 service provider from misrepresenting, expressly or by implication, any material
22 aspect of any mortgage assistance relief service, including but not limited to:

23 a. the likelihood of negotiating, obtaining, or arranging any represented
24 service or result. 16 C.F.R. §322.3(b)(1), recodified as Regulation O, 12 C.F.R. §
25 1015.3(b)(1);

26 b. the amount of time it will take the mortgage assistance relief service
27 provider to accomplish any represented service or result. 16 C.F.R. § 322.3(b)(2),
28 recodified as Regulation O, 12 C.F.R. § 1015.3(b)(2);

1 c. the terms or conditions of any refund, cancellation, exchange, or
 2 repurchase policy for a mortgage assistance relief service, including, but not
 3 limited to, the likelihood of obtaining a full or partial refund, or the circumstances
 4 in which a full or partial refund will be granted, for a mortgage assistance relief
 5 service. 16 C.F.R. § 322.3(b)(6), recodified as Regulation O, 12 C.F.R. §
 6 1015(b)(6); or

7 d. that the consumer will receive legal representation. 16 C.F.R.
 8 § 322.3(b)(8), recodified as Regulation O, 12 C.F.R. § 1015.3(b)(8).

9 42. The MARS Rule and Regulation O prohibit any mortgage assistance relief
 10 service provider from failing to place a statement in every general commercial
 11 communication disclosing that (i) the provider is not associated with the
 12 government, and that their service is not approved by the government or the
 13 consumer's lender, and (ii) the lender may not agree to modify a loan, even if the
 14 consumer uses the provider's service. 16 C.F.R. § 322.4(a)(1)-(2), recodified as
 15 Regulation O, 12 C.F.R. 1015.4(a)(1)-(2).

16 43. The MARS Rule and Regulation O prohibit any mortgage assistance relief
 17 service provider from failing to place a statement in every consumer-specific
 18 commercial communication (i) confirming that the consumer may stop doing
 19 business with the provider or reject an offer of mortgage assistance without having
 20 to pay for the services, (ii) disclosing that the provider is not associated with the
 21 government or any lender, and (iii) in certain cases, a statement disclosing that the
 22 lender may not agree to modify a loan, even if the consumer uses the provider's
 23 service, and (iv) in certain cases, a statement disclosing that if they stop paying
 24 their mortgage, consumers may lose their home or damage their credit. 16 C.F.R.
 25 § 322.4(b)(1)-(3) and (c), recodified as Regulation O, 12 C.F.R. 1015.4(b)(1)-(3)
 26 and (c).

27 44. Pursuant to Section 626 of the Omnibus Act, as clarified by Section 511 of
 28 the Credit Card Act, and amended by Section 1097 of the Dodd-Frank Act, 12

1 U.S.C. § 5538, and pursuant to Section 18(d)(3) of the FTC Act, 15 U.S.C. §
 2 57a(d)(3), a violation of the MARS Rule and Regulation O constitutes an unfair or
 3 deceptive act or practice in or affecting commerce, in violation of Section 5(a) of
 4 the FTC Act, 15 U.S.C. § 45(a).

5 COUNT III

6 (Collection of Advance Payments)

7 45. In numerous instances, in the course of providing, offering to provide, or
 8 arranging for others to provide MARS, Defendants ask for or receive payment
 9 before consumers have executed a written agreement between the consumer and
 10 the loan holder or servicer that incorporates the offer obtained by Defendants, in
 11 violation of MARS Rule, 16 C.F.R. § 322.5(a), recodified as Regulation O, 12
 12 C.F.R. § 1015.5(a).

13 COUNT IV

14 (Advising Consumer Not to Communicate With Lender)

15 46. In numerous instances, in the course of providing, offering to provide, or
 16 arranging for others to provide mortgage assistance relief services, Defendants, in
 17 violation of the MARS Rule, 16 C.F.R. § 322.3(a), recodified as Regulation O, 12
 18 C.F.R. § 1015.3(a), have represented expressly or by implication, that a consumer
 19 cannot or should not contact or communicate with his or her lender or servicer.

20 COUNT V

21 (Material Misrepresentations)

22 47. In numerous instances, in the course of providing, offering to provide, or
 23 arranging for others to provide mortgage assistance relief services, Defendants, in
 24 violation of the MARS Rule, 16 C.F.R. § 322.3(b)(1)-(3), (6) and (8), recodified as
 25 Regulation O, 12 C.F.R. § 1015.3(b)(1)-(3), (6) and (8), have misrepresented,
 26 expressly or by implication, material aspects of their services, including but not
 27 limited to:
 28

1 a. Defendants' likelihood of obtaining a modification of mortgage loans
2 for consumers that will make their payments substantially more affordable;

3 b. the amount of time it will take Defendants to accomplish any
4 represented service or result;

5 c. Defendants are affiliated with, endorsed or approved by, or otherwise
6 associated with the government, or the maker, holder, or servicer of the consumer's
7 dwelling loan;

8 d. the terms or conditions of any refund, cancellation, exchange, or
9 repurchase policy for a mortgage assistance relief service, including, but not
10 limited to, the likelihood of obtaining a full or partial refund, or the circumstances
11 in which a full or partial refund will be granted, for a mortgage assistance relief
12 service; and

13 e. that the consumer will receive legal representation.

14 **COUNT VI**

15 **(Failure to Disclose)**

16 48. In numerous instances, in the course of providing, offering to provide, or
17 arranging for others to provide mortgage assistance relief services, Defendants
18 have failed to make the following disclosures:

19 a. in all general commercial communications:

- 20 1. "[Name of company] is not associated with the government,
21 and our service is not approved by the government or your lender," in
22 violation of the MARS Rule, 16 C.F.R. § 322.4(a)(1), and
23 Regulation O, 12 C.F.R. §1015.4(a)(1); and
24 2. "Even if you accept this offer and use our service, your lender
25 may not agree to change your loan," in violation of MARS Rule,
26 16 C.F.R. § 322.4(a)(2), recodified as Regulation O, 12 C.F.R.
27 § 1015.4(a)(2).

28 b. in all consumer-specific commercial communications:

1. “You may stop doing business with us at any time. You may accept or reject the offer of mortgage assistance from your lender [or servicer]. If you reject the offer, you do not have to pay us, [insert amount or method for calculating the amount] for our services,” in violation of the MARS Rule, 16 C.F.R. § 322.4(b) (1), recodified as Regulation O, 12 C.F.R. § 1015.4(b) (1);

2. “[Name of company] is not associated with the government, and our service is not approved by the government or your lender,” in violation of the MARS Rule, 16 C.F.R. § 322.4(b) (2), recodified as Regulation O, 12 C.F.R. 1015.4(b) (2);

3. “Even if you accept this offer and use our service, your lender may not agree to change your loan,” in violation of MARS Rule, 16 C.F.R. § 322.4(b) (3), recodified as Regulation O, 12 C.F.R. § 1015.4(b)(3); and

4. “If you stop paying your mortgage, you could lose your home and damage your credit,” in violation of MARS Rule, 16 C.F.R. § 322.4(c), recodified as Regulation O, 12 C.F.R. § 1015.4 (c).

CONSUMER INJURY

49. Consumers have suffered and will continue to suffer substantial injury as a result of Defendants’ violations of the FTC Act, the MARS Rule, and Regulation O. In addition, Defendants have been unjustly enriched as a result of their unlawful acts or practices. Absent injunctive relief by this Court, Defendants are likely to continue to injure consumers, reap unjust enrichment, and harm the public interest.

THE COURT’S POWER TO GRANT RELIEF

50. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), empowers this Court to grant injunctive and such other relief as the Court may deem appropriate to halt and redress violations of any provision of law enforced by the FTC. The Court, in

1 the exercise of its equitable jurisdiction, may award ancillary relief, including
 2 rescission or reformation of contracts, restitution, the refund of monies paid, and
 3 the disgorgement of ill-gotten monies, to prevent and remedy any violation of any
 4 provision of law enforced by the FTC.

5 51. Section 19 of the FTC Act, 15 U.S.C. § 57b, and Section 626 of the
 6 Omnibus Act authorize this Court to grant such relief as the Court finds necessary
 7 to redress injury to consumers resulting from Defendants' violations of the MARS
 8 Rule including the rescission or reformation of contracts and the refund of money.

9 **PRAYER FOR RELIEF**

10 Wherefore, Plaintiff Federal Trade Commission, pursuant to Sections 13(b)
 11 and 19 of the FTC Act, 15 U.S.C. §§ 53(b) and 57b, the Omnibus Act, and the
 12 Court's own equitable powers, requests that the Court:

13 A. Award Plaintiff such preliminary injunctive and ancillary relief as
 14 may be necessary to avert the likelihood of consumer injury during the pendency
 15 of this action, and to preserve the possibility of effective final relief, including, but
 16 not limited to, preliminary injunctions;

17 B. Enter a permanent injunction to prevent future violations of the FTC
 18 Act and Regulation O by Defendants;

19 C. Award such relief as the Court finds necessary to redress injury to
 20 consumers resulting from Defendants' violations of the FTC Act and the MARS
 21 Rule and Regulation O, including, but not limited to, rescission or reformation of
 22 contracts, restitution, the refund of monies paid, and the disgorgement of ill-gotten
 23 monies; and
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1 D. Award Plaintiff the costs of bringing this action, as well as such other
2 and additional relief as the Court may determine to be just and proper.
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4 Dated: *March 23*, 2015
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6 Respectfully submitted,
7 JONATHAN E. NEUCHTERLEIN
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9 CHARLES A. HARWOOD
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11

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